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IMPLEMENTATION OF THE BUSINESS PLAN IN EUROPE AND NIS

Report by the Director-General

Provides highlights of UNIDO support to countries of Europe and NIS, including integrated programmes, funds mobilization, activities within the global forum function, and field representation

Introduction

1. The present document has been prepared in response to the decision of the Industrial Development Board to include an item on Europe and the Newly Independent States of the former Soviet Union (NIS) in the provisional agenda for the eighth session of the General Conference (IDB.21/Dec.15).

2. After showing strong signs of recovery in 1997, economic growth in the countries of Central and Eastern Europe (CEE) slowed down to an unexpected degree in 1998 and continues its decline in 1999. Reasons include the economic crises that hit the Russian Federation in mid-1998 and the slowdown of the economy in Western Europe. The collapse of Russian imports and weakened exports to Western Europe have deteriorated economic performance. The outbreak of the Kosovo conflict—which represented an unexpected negative shock for many transition economies—has undermined the economic prospects for a number of countries, especially those in south-east Europe. Economic performance in countries of

the Commonwealth of Independent States (CIS) deteriorated in most cases which means that most of these countries will end the year 1999 in recession. Alongside these external factors, slow progress in industrial restructuring also contributes to reduced growth.

I. INTEGRATED PROGRAMMES

3. In developing the integrated programmes for countries of the region, efforts were taken to ensure consistency with the Business Plan and to respond to demand and development priorities. Full support was received from the respective Governments, UNDP country offices, and the public and private sectors. The programmes address national capacity-building for sustainable industrial development, international industrial partnerships for investment and technology promotion, entrepreneurship development and small and medium enterprise (SME) support, energy efficiency and renewable energy development, and cleaner production and waste management.

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4. To date, programmes have been developed for Armenia, the Russian Federation and Tajikistan. A programme for Uzbekistan is under way with a mission scheduled for the third quarter of 1999.

Armenia - Integrated programme to support Armenian industry and increase its contribution to sustainable livelihoods and sustainable development.

5. The challenge is to help Armenia complete its transition to a market economy, with employment creation and income generation as priorities. This is to be achieved via targeted support services focusing on sustainable livelihoods and sustainable development, complemented by support to corporate governance, that are harmonized with the United Nations Resident Coordinator's strategy for the country. The overall objective of the UNIDO approach is to maximize the value added of industry's contribution to Armenia's own efforts to foster employment.

Russian Federation - Integrated programme to support sustainable development of the industrial sector

6. The programme focuses on developing and implementing large-scale projects in selected Russian regions (Moscow oblast, St. Petersburg, Republic of Bashkortostan and Republic of Komi) and was developed in close cooperation with the federal Government and regional administrations and with the involvement of the private sector. To support the implementation of the programme and to establish a strategic partnership with UNDP, a letter of agreement was signed with the UNDP country office in the Russian Federation.

Tajikistan - Integrated programme for industrial growth and competitiveness development.

7. The objective is to assist in making the industrial sector a vehicle for economic recovery and growth based on comparative advantages and an efficient source of income generation and employment opportunity, as well as to increase attractiveness for foreign investors. The programme focuses on strengthening capacity and capabilities in coping with the aftermath of the long civil war, accelerating systemic transformation, economic stability, continuous industrial restructuring and rehabilitation and private sector development.

II. POST-EMERGENCY COUNTRIES

8. UNIDO has also contributed to inter-agency activities designed to strengthen, within the framework of the United Nations Resident Coordinator system, the system-wide response to post-crisis situations. The response has

included services from a range of UNIDO core competencies, including investment promotion, technology promotion, entrepreneurship development, cleaner production and food processing. The current approach—for example in neighbouring countries affected by the Kosovo crisis (Albania, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia)—draws on UNIDO's experience from active inter-agency participation in earlier post-emergency situations such as those in Bosnia and Herzegovina and in areas effected by the Chernobyl accident. In these activities, UNIDO makes every effort to take full advantage of the knowledge and experience in other parts of the region that can be efficiently and effectively applied in the specific post-crisis situations.

III. FUNDS MOBILIZATION

9. Efforts are continuing to mobilize funding for programmes in the region. Particular attention is given to new possibilities of financing which arise from non-traditional sources of funding, including from emerging donors within the region. The speed of transition to market economy in the region varies from country to country depending on the initial economic position and the determination to proceed with restructuring and privatization. The Czech Republic, Hungary and Poland have become members of the Organisation for Economic Cooperation and Development, and together with Estonia and Slovenia are included in the group of countries that are on the fast track of negotiation to become members of the European Union. As the most advanced in the transition process, these five countries have attained a position that enables them to become emerging donors for technical assistance to other countries that still have a longer way to go. UNIDO was able to gain the cooperation of Hungary in funding projects in Pakistan, Romania and the African region. The Czech Republic provides financing for projects in Croatia and Ukraine. Slovenia is funding a project to establish an international centre for sustainable industrial development for the region. Poland is considering joining this group of emerging donors. In addition, for many years UNIDO has been operating the Centre for International Industrial Cooperation in Moscow and the Investment and Technology Promotion Office in Warsaw, which are entirely financed by the Governments of the Russian Federation and Poland respectively. Both offices are effectively promoting projects with foreign partners and mobilizing funds for industrial cooperation and investment.

10. Another non-traditional source of funding that is being explored, particularly in the context of the integrated programme for Armenia, is from private foundations and non-governmental organizations (NGOs). While UNIDO has cooperated in Armenia in the past with the private

sector in this manner, the potential for this source has not been fully utilized.

11. Although the sources of financing described above are a particular feature of UNIDO activities in the region, there is also scope for more traditional funding approaches. The countries of the region are encouraged to utilize their own resources under self-financing trust fund agreements and by attracting funds from interested private sector entities. Austria, Greece, Japan, the Netherlands, Switzerland and the United Kingdom are other countries that are currently financing UNIDO projects in CEE and NIS countries.

IV. GLOBAL FORUM FUNCTION

12. As is the case in other regions, not all CEE and NIS countries are benefiting from rapid globalization. Beneficiaries are those countries that have advanced in their transition to market economy and are gradually integrating in the Western European and world markets. Others have not yet been able to take advantage of globalization in their development. To avoid increasing disparities in the region resulting from globalization, UNIDO is helping those countries to better prepare for the challenges of a global market, enabling them to share the benefits of globalization. UNIDO services for SME development, entrepreneurship development, investment promotion, technology transfer, enhancement of competitiveness and cleaner production can assist economies that have been hitherto neglected by the private actors in the global market to attract foreign investment and industrial cooperation.

13. Cooperation with NGOs in the region is being strengthened. These NGOs serve as excellent agents for promoting UNIDO cooperation with enterprises, particularly SMEs, and with scientific circles. For example, a regional conference on industrial development and economic cooperation in the region organized with the International Congress of Industrialists and Entrepreneurs

with participation from the private sector served as an excellent platform for UNIDO to reach out to entrepreneurs as the main actors and decision makers in a market-oriented economy. NGOs are also important partners for the implementation of technical cooperation projects that aim at fostering entrepreneurship. These NGOs can be chambers of commerce and industry, business associations, or universities and can serve as hosts for projects on investment promotion, business advisory services, or cleaner production. UNIDO projects in the region are essentially directed towards assistance in the economic transformation process. This requires keeping in touch with the business community as the prime transmission belt to improve the competitiveness and sustainability of industry.

V. STRENGTHENING THE FIELD

14. In addition to the establishment of a country office in Almaty, Kazakhstan, UNIDO has developed a comprehensive network of national focal points throughout the region that serve as excellent channels of communication and coordination with Governments and industry. These focal points are nominated by the Government and remain part of a ministerial structure (Bulgaria, Croatia, Hungary, Russian Federation, Ukraine), or are established outside governmental structures but are fully financed by the Government (Romania), or are co-financed by UNIDO and the Government and are established in the United Nations house or local UNDP office (Turkey, Uzbekistan). To facilitate effective implementation of the integrated programme for Armenia, action has been taken to field an Associate Expert or Junior Professional Officer to that country.

VI. ACTION REQUIRED OF THE CONFERENCE

15. The Conference may wish to take note of the information provided in the present document.